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July 30, 2007

TO: Each Supervisor

FROM: Bruce A. Chernof, M.D.
Director and Chief Medical Officer

SUBJECT: **ASSEMBLY BILL (AB) 774 HOSPITALS: FAIR
PRICING POLICIES**

This is to provide an update to our February 5, 2007 correspondence on the referenced legislation which was enacted into law effective January 1, 2007.

Since our last update, we have continued to work with County Counsel on a regular basis to determine changes needed to be in full compliance. In a change from our original implementation plan, Hospital Finance staff has been directed to advise any patient who inquires about Assembly Bill (AB) 774 that Ability-To-Pay (ATP) is the DHS Charity Care and Discount Payment program. It was determined not to be necessary to include Outpatient Reduced-Cost Simplified Application (ORSA) as a Charity Care and Discount Payment program and to do so would require modification of the ORSA program. Additionally, a new program is being developed which allows for a discount to patients who are not Los Angeles County residents. The discount provided under this program will be less substantial than that offered by ATP, but will meet AB 774 requirements.

Although the ATP Plan meets most of the AB 774 requirements, some modification to the program will be required. Because AB 774 does not apply to the Multi-Service Ambulatory Care Center, Comprehensive Health Centers or Health Centers (MACC/CHC/HC), we are recommending that ATP not be offered in these venues except in limited circumstances, when ORSA is not available. Please note that ATP (for both inpatient and outpatient services) and ORSA (for outpatient services) will continue to be available at the hospitals. Because ATP and ORSA are part of the Etter Consent decree, changes to the ATP and ORSA programs require court approval. We are working with representatives of the Etter Consent decree plaintiffs on such changes, to which they are not opposed. We will keep you updated as this recommendation develops.

Meetings have been held with collection entities, including TTC, and the DHS collection agency (USCB) to ensure all are aware of the obligations under AB 774. Required changes to hospital bills to self

Each Supervisor
July 30, 2007
Page 2

pay patients, known as data mailers are in process. Modified data mailer language, which meets the AB 774 requirements, has been provided to our collection entities to use in generation of fully compliant data mailers.

County Counsel is working with the California Hospital Association (CHA) in development of AB 774 clean-up language to minimize ambiguous language and unintended consequences.

We will continue to work to make necessary modifications to DHS Policies, Financial Practices and other documents. By January 1, 2008, hospitals must provide the Office of Statewide Health Planning and Development (OSHPD) with copies of their discount and charity care policies as well as related information, and DHS anticipates having compliant policies well before that time.

We will provide periodic updates. In the meantime, if you have any questions or need additional information, please let me know.

BAC:mj
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c: Chief Executive Officer
County Counsel
Executive Officer, Board of Supervisors
Treasurer and Tax Collector